

VZCZCXR05062  
PP RUEHBC RUEHDE RUEHKUK RUEHROV  
DE RUEHCL #0192/01 2651047

ZNR UUUUU ZZH

P 221047Z SEP 07

FM AMCONSUL CASABLANCA

TO RUEHC/SECSTATE WASHDC PRIORITY 7844

INFO RUEHRB/AMEMBASSY RABAT 8092

RUEATRS/DEPT OF TREASURY WASHDC

RUCPDOC/DEPT OF COMMERCE WASHDC

RUEHEE/ARAB LEAGUE COLLECTIVE

RUEHLO/AMEMBASSY LONDON 0306

RUEHFR/AMEMBASSY PARIS 0593

RUEHNK/AMEMBASSY NOUAKCHOTT 2287

UNCLAS SECTION 01 OF 02 CASABLANCA 000192

SIPDIS

SENSITIVE

SIPDIS

E.O. 12958: N/A

TAGS: [ECON](#) [ETRD](#) [FWWT](#) [MO](#)

SUBJECT: CASABLANCA PORT'S CONGESTION CRISIS

REF: (A) 06 RABAT 527; (B) 06 RABAT 2248

**¶1. (SBU)** Summary. Explanations abound for the Port of Casablanca's congestion crisis, which has emerged over the last month as a major threat to Moroccan exports. Government and port officials suggest that an increase in imports and an overabundance of containers left in storage have precipitated the problem. Others cite more deeply rooted issues, including ineffective port reform, related labor unrest and poor infrastructure. The crisis could be construed as a side-effect of the recent reorganization or an indication of faltering reform. Either way, efforts to improve the port's competitiveness are floundering, and port officials and operators are seeking ways to weather the storm.  
End Summary.

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INCREASED SHIPPING VOLUME  
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**¶2. (U)** Throughout the summer and into the fall, congestion has plagued the Port of Casablanca. Normally, Casablanca receives more than 3,400 vessels annually which account for over 37 percent of the total commercial shipping arrivals in Morocco. According to Jamal Benjelloun, Director General of the National Port Agency (ANP), an unanticipated rise in shipping volume during the summer of 2007 explains part of the problem. The agency predicted a nine percent increase over 2006, but the current figure is closer to 15 percent.

**¶3. (U)** The fact that the situation came to a head over the past month is not surprising, given the confluence of the Islamic holy month of Ramadan and the start of school this year. Both bring a large volume of specialty imports. Another factor in the high shipping volume this year is increased grain imports, made necessary by Morocco's drought. The country imported 80 percent more corn, wheat and barley by the end of July 2007 than it had during the same period in 2006. 69 percent of this grain went through Casa Port. Mohamed Abdeljalil, Director of the Port Management Company (SODEP) - the state commercial operator that replaced the state's monopolistic Office of Port Management (ODEP) - also points out that Morocco is engaged in numerous, large-scale construction projects. As a result, the country imports sizeable quantities of steel and timber. (Note: In summer 2007, SODEP rebranded itself as Marsa Maroc,

creating a new, more "patriotic" corporate identity).

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TOO MANY CONTAINERS, NOT ENOUGH STORAGE  
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¶ 14. (U) Increased imports aside, government officials blame port congestion on companies leaving too many containers in the port's limited storage areas. The problem has gotten so bad that some containers are stored outside the port's confines. At a September 12 meeting held by the Wali of Casablanca and attended by a range of port actors, the Wali urged importers to move their containers in less than 15 days or face heavy fines. Mohamed Chaibi, Vice President of the General Federation of Moroccan Enterprises (CGEM), made a similar plea the week before at a well-attended roundtable on promoting Morocco abroad.

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PORT REFORM, POOR INFRASTRUCTURE ROCK THE BOAT  
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¶ 15. (SBU) The port's problems run deeper than increased imports or an overstock of containers, however, and some fault port reform itself. Mohamed Karia, Director General of Morocco's second largest shipping company, the International Maritime Transport Corporation (IMTC), blames the current crisis on the state's failure to carry out reform effectively. A December 2005 law ended ODEP's monopoly and created two new entities: ANP, an independent port authority, and SODEP, a state-owned operator to manage cargo handling and commercial

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services. The law's goal was to open the field to private operators, creating competition and reducing costs to make Moroccan ports more competitive (ref: A). In Karia's eyes, however, the reorganization is "a disaster thirty years in the making," with SODEP merely replacing ODEP as a state monopoly.

¶ 16. (U) Not everyone is as pessimistic about port reform as Karia, but others agree that the recent reorganization has rocked the boat. Amina Lamrani, Deputy Director of CGEM, characterized the port's current problems as a side-effect of reform and noted that workers feared losing their jobs, "as happens when you end a monopoly." For their part, dockers have been disappointed that promised salary increases and benefits have not materialized. In addition, they bemoan the lack of skilled labor, charging that new workers do not have the necessary experience or qualifications, particularly for dealing with the current crisis. Benjelloun alleged that the problem is not so much the cargo handlers, who have stepped up their hours to help clear the port's backlog, but the ground transporters, who lack a sense of urgency.

¶ 17. (SBU) Not only do ongoing labor issues impact the port's ability to operate efficiently, but so do equipment, transport and infrastructure deficiencies. Surveying the port from the wall-length window of his seventh-floor office, Karia shook his head in dismay at the long line of trucks trying to leave the port. If there were an accident, he explained, the port's only exit would be paralyzed. Workers complain that cranes and other key equipment are often out-of-order. A recent news article reported that trucks had left the port empty for lack of sufficient stackers to load cargo. As Said Elhadi, Chairman of the Executive Board of the Tangier Med Special Agency (TMSA) phrased it, "Casa Port is not up to world-class standards." Karia put it more bluntly: "It's a shantytown, not a port."

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CRISIS CONSEQUENCES AND SOLUTIONS  
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**¶18.** (U) Unfortunately, Casa Port's congestion has significant negative consequences. Although port reform was instituted to increase competitiveness, the port in Casablanca remains more expensive than its regional counterparts. According to an article in the daily newspaper l'Economiste, a 40 foot container that spends 27 days in port as a result of congestion would cost USD 1112 in Casablanca, but only USD 747 in Marseilles. As the current crisis continues, shipping lines are forced to charge their clients congestion fees, which get passed on to customers in the form of higher prices. Benjelloun believes ships remaining in port beyond their allotted time should be penalized with progressive fees, but acknowledges that such a system raises costs and makes Casa Port less appealing. Some ship owners have become so frustrated that they avoid Casablanca.

**¶19.** (U) The situation at Casa Port has reached such dire straits that the GOM recently announced new measures. On September 18, it pledged USD 11.3 million for new equipment and 5.2 million to clear 14 hectares of additional space. Port officials and operators will also work to simplify procedures, and improve logistics and coordination.

**¶10.** (SBU) Comment: The GOM's party line seems to be that high shipping volume and an overabundance of containers in storage have precipitated Casa Port's crisis. Ongoing issues such as labor unrest and shoddy infrastructure clearly played a role as well, however. Port officials and operators must move quickly to improve efficiency if they hope to make the port more competitive and ensure that last year's ambitious port reform achieves its objective. The port's importance to the Moroccan economy makes their task all the more urgent. End Comment.

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